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The landscape of social enterprises in Malaysia: Involvement of young people

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In the past decade, interest in social entrepreneurship and social enterprise has grown in Malaysia, among young people aspiring to become entrepreneurs or passionate about a specific social cause, non-profit organizations, private institutions, universities, and the public sector. A social enterprise, by the Malaysian legal definition, is a business entity that is registered under any written law in Malaysia that proactively creates positive social or environmental impact in a way that is financially sustainable ([MaGIC, 2019](#)). As organizations that use market mechanisms to catalyze positive social impact, social enterprises are seen as a pathway toward achieving the and as an appealing and authentic career for young people.

Malaysia continues to grapple with several development challenges that draw the attention of social enterprises. Despite reducing poverty rates, there remains a sizeable group (bottom 40 per cent, or B40) vulnerable to falling back into poverty. Geographical disparities still exists, with inequality between states remaining relatively constant since 1970. It is also estimated that Malaysia's per

capita carbon emissions and carbon intensity are more than 20% above the global average ([WEF, 2019](#)). Thus, most social enterprises exist to create employment/income opportunities in supporting vulnerable and marginalized communities ([British Council, 2018](#)) and the main focus areas amongst social enterprises include education (e.g., [EdSpace](#)), environment and sustainability (e.g., [Biji-biji](#)), food and beverages (e.g., [PichaEats](#)), and art, culture and heritage (e.g., EarthHeir), in direct response to the development challenges Malaysia faces.

With the re-establishment of the Ministry of Entrepreneur Development (MED) in July 2018, Malaysia's social entrepreneurship ecosystem is gaining renewed support. As a first step, the national certification, Social Enterprise Accreditation (SE.A), acts as a mechanism to recognise the legitimacy of social enterprises in Malaysia. Yet, there are many challenges and barriers that social enterprises face in their journey to initiate and scale positive social impact. Some of the biggest hurdles social enterprises face are particularly salient for young people who may have limited resources and opportunities to cope with these challenges.

These challenges include:

Weak mainstream awareness and support system: Perhaps due to the nascent stage of the social enterprise sector, there is generally a lack of awareness of social enterprises – what they are and what they do. The numbers of ecosystem builders supporting social enterprises are also relatively low causing limited access to business support and advice for social entrepreneurs. This may explain why only 37 percent of social enterprises are financially viable, while another 32 percent are breaking even and 31 percent are experiencing unsustainability ([British Council, 2018](#)).

Lack of human capital: Recruiting the talent a social enterprise needs to operate and scale successfully is challenging. This is partially due to lack of awareness of social enterprises as well as misconceptions of what working in a social enterprise involves and how it is different from working in charities and volunteering. As social enterprises combine elements of the corporate world and the third sector, recruiting and retaining talent from those sectors is challenging. While non-profit veterans work to raise awareness of social causes instead of to sustain and grow a business, conventional corporate veterans may struggle with the so-called chaos in a start-up environment where both social and commercial performance indicators are pursued. Thus, many social enterprises recruit young people before they are socialised into the corporate world or the third sector, relying on their passion, flexibility and adaptability to learn and grow with the . This approach also provides young people with meaningful career pathways as social enterprises support their learning and development, and better reward systems, particularly in the early career stages when social enterprises seem to pay their interns more fairly than traditional businesses.

Funding sources and constraints: The most common source of finance for social enterprises is bootstrapping (39%), with many social entrepreneurs utilizing their own resources to start up and/or sustain the operations of their social enterprises. Yet, this option is not equally accessible to all young people aspiring or working to start their social enterprises. Social enterprises in Malaysia also access external funding, with 32% of social enterprises using donations, 26% receiving foundation grants, and 25% receiving government grants ([British Council, 2018](#)). While a viable business model is essential for social enterprises to be financially sustainable in the long term, they also need diverse financing options to start and/or scale their activities. Indeed, such diverse financing options are needed for young people to engage in social entrepreneurship.

While these are some evident challenges that may affect the experiences of young people in social entrepreneurship as entrepreneurs, employees and volunteers, there are also exciting prospects. The adoption of social entrepreneurship education in schools and universities is increasing, thus addressing issues related to low awareness and limited talent pipeline. Social enterprises can enhance their resources and scale their impact through an increasing number of social investment opportunities and authentic and meaningful collaboration between social enterprises and other stakeholders to develop and deliver innovative solutions for a better Malaysia. Through our research project, we have also gained some insights on how to make the social entrepreneurship ecosystem [more inclusive](#).

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